

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

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NOTICE OF SUSITNA BASIN OIL & GAS EXPLORATION LICENSE Nos. 1, 2 and 3

The Department of Natural Resources (DNR) gives notice under AS 38.05.945(a)(4), that it will issue two Oil and Gas Exploration Licenses for the Susitna basin to Forest Oil Corp. and one license to Clearflame Resources LLC. License No.1 contains 386,206.63 acres, License No.2 contains 471,474.23 acres and License No.3 contains 478,584.35 acres. All license areas are located west of the Parks Highway. Only lands for which the state owns the mineral estate are included. Activities resulting from these licenses may affect the communities of Trapper Creek, Talkeetna, Willow and Skwentna.

Licensing Fee

Forest Oil and Clearflame Resources must each pay a licensing fee of \$1 per acre.

Terms for License No. 1 and No. 2

License No.1 has a work commitment of \$2,520,000 and License No. 2 has a work commitment of \$3,000,000. Each license has a primary term of seven (7) years, with the option to extend the primary term for up to three (3) years, with the submittal of an additional \$5 million work commitment.

Terms for License No. 3

The license has a primary term of seven (7) years and a work commitment of \$2,500,000. Some of the acreage included in Clearflame's application lies within existing shallow natural gas leases. If, during the term of the license a shallow natural gas lease expires, that acreage may be included in the license.

Conversion to Lease

Upon completion of the required work commitment, the licensees may convert all or a portion of each license area into oil and gas leases. Conversion leases from License No.1 and No.2 will have a primary term of five (5) years; conversion leases from License No.3 will have a primary term of seven (7) years.

Rental

There is no annual rental fee for an exploration license. Upon conversion to oil and gas leases, an annual rental of \$3.00 per acre is required.

Royalty

Lands converted to oil and gas leases have a fixed royalty of twelve and one-half (12.5) percent.

Lease Forms

Leases will be executed on Form No. DO&G 2002-01A (Susitna Basin Oil and Gas Exploration License Conversion Lease).

Bonding

Before commencement of operations, an oil and gas bond of a minimum of \$10,000 per operation is required under 11 AAC 83.160. As an alternative, a statewide oil and gas bond of a minimum of \$500,000 for multiple operations may be filed. These bonding provisions do not affect the commissioner's authority to require

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additional unusual-risk bonds. In addition, the Alaska Oil and Gas Conservation Commission (AOGCC) requires a bond of at least \$100,000 for a single well or a bond of at least \$200,000 to cover wells statewide before drilling operations will be permitted by AOGCC. The Department of Environmental Conservation (DEC) has its own bonding requirements.

Best Interest Finding

In support of these exploration licenses, on September 25, 2003 the Director, Division of Oil and Gas, (DO&G), issued a final finding and decision under AS 38.05.035(e) and (g), which has the commissioner's concurrence. This finding sets forth the facts, policies, and laws upon which the determination was made.

Copies of the finding are available for public review at the following locations:

Willow Public Library	Skwentna Elementary School Library
Talkeetna Public Library	Loussac Public Library in Anchorage.

The finding, with a 1:250,000 map of the license areas, is available on the division's Website at: www.dog.dnr.state.ak.us/oil. Individuals may obtain copies of the finding and map from the division: 550 West 7th Avenue, Suite 800; Anchorage, Alaska 99501. To order, call Suzanne Gaguzis at (907) 269-8803, or email at msg@dnr.state.ak.us.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority provide the director, DO&G, with the authority to impose conditions or limitations, in addition to those imposed by law to ensure that the disposal best serves the interests of the state. To meet this requirement, the director has adopted Mitigation Measures that impose standards of conduct that must be met. These measures are deemed necessary to protect biological, cultural and archeological resources as well as to mitigate social impacts. These measures will be enforced throughout the license period and the term of any oil and gas leases.

Reconsideration and Appeal

A person who is aggrieved by the decision to issue the exploration license may request the commissioner to reconsider under AS 35.05.035(i) and (j). To be eligible an appellant must have meaningfully participated in the process by submitting written comments during the prescribed comment period. A request for reconsideration must be received by Thomas E. Irwin, Commissioner; Department of Natural Resources; 550 W 7th Ave, Suite 1400; Anchorage, Alaska 99501, or received by fax at 1-907-269-8918 by 5:00 p.m. (local time), October 15, 2003. If the commissioner fails to act by October 27, 2003 the request is considered denied.

A denial is the final administrative decision for purposes of appeal to Superior Court. A person may then appeal to Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of this decision by the commissioner. An appellant must initiate an appeal within 30 days from the date of denial or from the date of distribution of the denial decision, in accordance with the rules of court and to the extent permitted by applicable law.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act 1990. This Publication will be made available in alternative communication formats upon request. Please contact Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.



Mark D. Myers
Director